

**MEETING MINUTES**  
Finance Committee  
Wednesday, September 14, 2011

**CALL TO ORDER**

Time – 7:00 P.M.

Members in attendance: Chairman S. Jon Stumpf, Joanne Marden, Mary O'Donoghue, Cindy Milne, Mark Merritt, Paul Fortier, Peggy Kruse, Greg Rigby and Dan Kowalski.

Also Present: Town Manager Reginald Stapczynski, Assistant Town Manager Steve Bucuzzo, School Committee member Dennis Forgue and Finance Director Donna Walsh.

The Town Manager introduced the new Finance Director Donna Walsh. Mr. Stapczynski noted Ms. Walsh's qualifications as valuable to Andover citing her experience with MUNIS user groups as just one example.

**APPROVAL OF MINUTES**

June 29, 2011 minutes were moved and seconded for approval. The motion passed with changes 8-0-1.

July 13, 2011 minutes were moved and seconded for approval. The motion passed unanimously as written 9-0.

**DEPARTMENTAL/LIAISON ASSIGNMENTS**

Mr. Stumpf asked if there were any concerns regarding the Finance Committee departmental liaison list. Mr. Kowalski was told that there was not a conflict of interest with his position as liaison to the School Department. It was noted that Mr. Kowalski is co-president of the South School PTO.

Mr. Stumpf requested volunteers for a legislative liaison group, comprised of members from the three boards, currently in the planning stage. Mr. Rigby volunteered to serve as State legislative liaison to represent the Finance Committee.

**UPDATES & LIAISON REPORTS**

**YOUTH CENTER**

Mr. Rigby reported the Youth Foundation was not prepared to speak before the Finance Committee at this time. Mr. Stapczynski noted the Youth Foundation is scheduled to make a presentation before the Board of Selectmen on September 26<sup>th</sup>.

## **SCHOOL BUILDING COMMITTEE**

Mary O'Donoghue stated that the project had been held up due to lawsuits and that it would not progress until the lawsuits are satisfied. There was a brief discussion on how this could affect the cost of the project.

Ms. Marden reminded Committee members of the upcoming Association of Town Finance Committees Annual Meeting on October 15, 2011. She urged members to consider attending as there would be informative workshops on collective bargaining, etc. She added that former Governor Michael Dukakis was scheduled to speak at the luncheon.

## **TOWN YARD TASK FORCE**

Peggy Kruse noted that four new proposals had been received during the second round of sending out RFPs. She added the Task Force planned on presenting their plan to the Boards soon.

## **PLANNING FOR TOWN MEETING**

The Town Manager noted the following key dates on the FY2013 Budget Planning Calendar:

Line 6 – CIP Overview Presentation: Tax Classification Public Hearing; Line 9 – CIP Public Hearing and Line 11 – Tri-Board Meeting on CIP and Financial Projections. Ms. Marden added that it was important to make budget decisions well in advance of a Special Town Meeting tentatively scheduled in December.

Mr. Stumpf reported a meeting he attended with the Chairs from both the School Committee and Board of Selectmen as well as with the Town Manager to try and identify estimates that are driving budget numbers. There was a brief discussion on Assumptions being discussed earlier in the budget planning process.

Mr. Stumpf noted Debt Service and Health Insurance as the two largest fixed costs in the budget. Mr. Stapczynski noted the State Health Insurance Reform Package was in flux at this time due to regulations not being finalized. He added that an overview to the three Boards would be scheduled sometime this Fall.

There was a brief discussion regarding the issue of retirees being required to join Medicare at the age of 65 and penalties the Town may be responsible to pay if retirees delay signing up.

Mr. Kowalski asked School Committee member Dennis Forgue if the School had implemented a new policy whereby they were attempting to hire new part time employees just under the 20 hour threshold for benefits. Mr. Forgue replied yes.

## **CIP PROJECTS**

Mr. Stumpf referred to the Finance Committee Meeting CIP Discussion letter dated 9/14/11 and noted that the I93/Lowell Junction project may require some funding by the Town.

There was a lengthy discussion regarding Mr. Merritt's draft letter to the Board of Selectmen requesting that CIP guidelines be amended to reflect Town and School Department requests for a period of five years rather than one year. Concern was expressed over how much extra work this would make for the Town Manager and Department Heads. Mr. Bucuzzo responded that would not be an issue. Mr. Rigby stated that taxpayers should be made aware of CIP costs for out years in order to make better informed decisions at Town Meeting.

Mr. Rigby moved to send Mr. Merritt's letter as written from the Finance Committee to the Board of Selectmen. Mr. Merritt was asked to clarify how much detail the letter was requesting. Lengthy discussion followed. The original motion was amended to authorize the Finance Committee Chairman to send the letter to the Town Manager including a summarization of this discussion. The motion passed unanimously 9-0.

### **OTHER BUSINESS**

The importance of knowing the debt load with respect to the CIP was noted. Mr. Stapczynski said that he would be putting together an informational session to address this subject due to the number of CIP projects. He added the end result of the session would be to create a model on how to view debt. Mr. Stapczynski also noted that he would like to address how Andover's debt compares to other AAA communities. Ms. Marden responded that the Finance Committee should want to see a realistic view of Andover's current debt as well as approved debt.

Mr. Stumpf informed Committee members that the Revenue and Expenditure Information document he authored was designed to inform rather than for use as a reference document. Ms. Marden suggested adding the level of spending to the document. Committee members thanked Mr. Stumpf for authoring the document and agreed that it should be put on the Town's website as a Finance Committee sponsored working draft.

There was a brief debt exclusion discussion regarding the Youth Center. This discussion was tabled until a future meeting.

### **NEXT MEETING**

Regular Finance Committee Meeting  
Tuesday, October 4, 2011  
7:00 P.M.  
School Committee Room

### **ADJOURNMENT – 9:35 P.M.**

Respectfully Submitted,  
*Carolyn Lynch*  
Recording Secretary

**Town of Andover**  
**Finance Committee Meeting CIP discussion**  
**September 14, 2011**

1. C.I.P. projects – Major Capital Improvement Projects on the horizon
  - a. Bancroft School (approved not yet borrowed)
  - b. Shawsheen pre-k
  - c. AHS improvements
  - d. Andover Youth Services
  - e. Ballardvale Fire sub-station
  - f. I93/Lowell Junction
  - g. Town Yard
  - h. Landfill closure (approved not yet borrowed)
  - i. Ball fields (approved not yet borrowed)
2. C.I.P priorities
  - a. Safety
  - b. Education
  - c. Well-being of the community
  - d. Delivery of quality services that respond to community needs
  - e. Investments to reduce costs and/or improve efficiency of service delivered
3. Finance Committee
  - a. CIP format – planning for projects beyond current fiscal year funding
  - b. Andover's Financial policies
    - i. Percent of Total Annual budget spent on "pay as you go" CIP projects
    - ii. CIP policy on "pay as you go" items versus borrowing
    - iii. Debt service in relation to total budget
    - iv. Debt service funded within Prop 2 ½
    - v. Debt service contingent on debt exclusions
    - vi. Debt service for Water/Sewer
  - c. Fincom information
    - i. Early information
    - ii. What is the total cost? Including any possible savings from moving to new location, real estate tax implications, all additional costs for furniture, equipment, utilities, insurance, custodial and maintenance, and all other
    - iii. How we will pay for it
    - iv. Can we afford it?
    - v. Debt service impact

**Special Town Meeting, Monday, December 5, 2012** – Andover HS Collins Center Auditorium. Please note this is tentative. The Auditorium has been reserved for a Special Town Meeting, if needed.

**Presidential Primary, Tuesday, March 6, 2012\*** – 6 precincts will vote at Andover High School Field House and 3 precincts will vote at the Senior Center. Set up will begin at 4:00 PM, March 5th.

**Annual Town Election, Tuesday March 27, 2012** – all 9 precincts will vote at the Andover High School Field House. Set up will begin at 4:00 PM, March 26<sup>th</sup>.

**Annual Town Meeting, Monday April 30, 2012 and Tuesday May 1, 2012** - Andover High School Field House. Set up will begin at 8:00 AM on April 30<sup>th</sup> and breakdown will begin at 8:00 AM on May 2<sup>nd</sup>.

**Annual Town Meeting Continued (if needed) May 2, 7 & 8, 2012** - Andover HS Collins Auditorium.

We request that no other events be scheduled on town meeting nights or at any time on election days at the High School or West Middle School Campuses and on the date of the Presidential Primary at the Senior Center or Doherty Middle School Campus. This is to avoid traffic congestion and reserve parking for voters and town meeting members.

\*NOTE: There is currently pending in the state legislature a bill to change the date of the Presidential Primary to June 5<sup>th</sup>. If the date is changed to that or some other date I will let you know as soon as possible.

Please contact me at ext. 8259 or at [lmurphy@andoverma.gov](mailto:lmurphy@andoverma.gov) if you have any questions or concerns.

**Thank you for your help as always.**

CC: R.S. Stapczynski, Town Manager  
Steve Bucuzzo, Asst. Town Manager  
Brian Pattullo, Chief of Police  
Lt. Jim Hashem, Police Operations  
Chris Cronin, Acting DPW Director  
Maria Maggio, Acting Plant & Facilities Director  
Kevin Hale, DPW

G:Elections:Memos&letters:DateReminder2011-2012  
U:Calendars-TownMeetings&Elections:DateReminder2011-2012

29 August 2001

Board of Selectmen, Town of Andover 36 Bartlet Street Andover, MA 01810

Members of the Board,

My goal in this letter is to encourage you to support an improvement in the execution of Andover's Capital Improvement Plan (CIP), which I feel will make the CIP a more effective planning tool and provide more transparent communication to Andover's residents and leaders.

Traditionally, the annual CIP report has included Department Requests for capital expenses over the 5-year planning horizon of the report, but has only included a Town Manager Recommendation for the upcoming fiscal year (for example, see page 4 of the FY2012 CIP). ***The change I am advocating is that the Town Manager recommendation be extended to cover the full 5-year planning horizon of the annual CIP report.***

The current practice of providing a 1-year recommendation falls short – I believe – of the intention expressed in the CIP section of the Andover Bylaws (Article XII, Section 34), which states:

...The capital improvement program shall include: (1)A clear general summary of its contents; (2)A list of all capital improvements which are proposed to be undertaken during the five fiscal years ensuing, with appropriate supporting information as to the necessity for such improvements; (3)Cost estimates, **method of financing and recommended time schedules for each such improvement**... [emphasis added]

A full 5-year recommendation for capital expenses would provide a clearer context for understanding the various tradeoffs that are made each. Without visibility into the out-year recommended plan of capital investment, there is no way for board members or residents to assess the long-term impact of the one-year recommendations. As one simple example, the FY2012 recommendation (page 4) for request FR-5 (Increase EMS capabilities from BLS to ALS) was \$0, against a department request of \$300,000. While this recommendation is clear for the FY2012 budget, it begs the question whether this expense will be recommended for funding in any subsequent year(s), and at what level. Similar ambiguity exists for other FY2012 requests, including TM-1, DPW-3, and SCH-7. I believe that an effective CIP should make clear the current plan of action for all such requests (even if uncertainty exists and future changes may be required).

I have expressed my views on this matter to the Town Manager several times, and now seek your support in my advocacy of this issue. I request that you give consideration to a Board policy decision, guiding the Town Manager to include a 5-year recommendation in the annual CIP, beginning with FY2013.

Thank you for your consideration of this matter,  
Mark Merritt 5 Apollo Circle

Town of Andover Finance Committee  
**Departmental/Subcommittee/Liaison/other assignments**  
**FY2013**  
**Department Subcommittee/Liaison/Other**

Mary O'Donoghue	Plant and Facilities School Building Committee Police
Joanne Marden	Fixed costs Debt policy
Mark Merritt	Public Works/ Audit committee/CIP improvement Water and Sewer
Cynthia Milne	General Government Elder Services
Paul Fortier	Fire Ballardvale Fire Sub-station Community/Youth Services
Margaret Kruse	Community Development Town Yard Task Force and Planning/Information Technology
Gregory Rigby	Library Youth Center Information Technology
Daniel Kowalski	Schools
Jon Stumpf	Schools

**Town of Andover, Massachusetts**  
**Revenue and Expenditure Informational document** Page 2 of 25



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## **The Purpose of this Revenue and Expenditure Informational document**

The purpose of this document is to provide residents and voters of the Town of Andover information to improve the overall efficiency of the budget preparation process. This document is designed to provide general information on some of the major revenue and expenditures in the Town's annual budget. It is not intended to be a technical reference document, but for those interested in more technical and/or detailed information, links to websites are provided.

At times, there is not sufficient information about what "makes up" a certain revenue item or expenditure item, and time is spent gathering that information versus on more substantive discussions that may increase the revenue and/or lower the expenditure. The document also attempts to continue to improve the overall transparency and sharing of information about the Town's revenues and expenditures.

For some of the most significant revenues and expenditures, the following items will be presented:

1. The name of the revenue/expenditure

2. A layman's description of the revenue/expenditure

3. What “drives” the revenue/expenditure (ie: what causes it to increase or decrease)

4. A link to websites that provide detailed information about the revenue/expenditure  
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## Revenues

The following revenue items will be presented; the items can be found on page 157 of the Town Manager's Recommended Fiscal 2012 Budget:

☐ **Property Taxes** (represents approx 75% of the total Town revenues)

- Prior year Tax Levy Limit
- Certified New Growth

☐ **Additional Prop 2 ½ Property Taxes** (represents approx 3% of the total Town revenues)

- Debt Service Exclusion

☐ **State Aid** (represents approx 7% of the total Town revenues)

- Chapter 70 Education Aid
- School Construction Reimb SBAB
- General Municipal Aid

☐ **General Local Revenues** (represents approx 8% of the total Town revenue)

- Motor Vehicle Excise
- License/Permits
- General Government
- Investment Income
- Meals Tax
- Hotel/Motel Excise

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## **Expenditures**

The following expenditure items will be presented; the items and where they can be found in the Town Manager's Recommended Fiscal 2012 Budget are noted next to each item:

☐ **Personal Services** (included in each departments Article 4 Operating Budget on page 9 and 10 of the Town Manager's Recommended Fiscal 2012 Budget)

☐ **Health Insurance Fund** (included on line 26, page 10, of Town Manager's Recommended Fiscal 2012 Budget)

☐ **Retirement Fund** (included on line 25, page 10, of Town Manager's Recommended Fiscal 2012 Budget)

☐ **Debt Service** (included on line 22, page 10, of Town Manager's Recommended Fiscal 2012 Budget)

☐ **Overlay** (page 158, Town Manager's Recommended Fiscal 2012 Budget)  
Page 6 of 25

## Property Taxes - Prior year Tax Levy Limit

☐ Name of Revenue:

Prior year Tax Levy Limit

☐ Layman's description:

Property taxes, and specifically Real Estate taxes, are the single largest source of revenue for the town. The town has approximately 8,592 taxable parcels with valuation ranges of \$300,000 or less, to over \$1,000,000. Each taxable parcel is billed each year and payments are collected on a quarterly basis.

Proposition 2½, approved by Massachusetts voters in 1980 and first implemented in fiscal 1982, limits the amount of revenue a city or town may raise, or levy, from local property taxes each year to fund municipal operations. A community's allowable levy for a fiscal year (called the levy limit) cannot increase by more than 2.5 percent of the maximum allowable limit for the prior year, plus certain allowable increases, such as new growth from property added to the tax rolls.

☐ What "drives" the revenue?

The main drivers of the Property Taxes are

- a) Real Estate taxes from commercial/industrial property
- b) Real Estate taxes from residential property
- c) Personal property taxes on commercial property

☐ Links to websites:

- <http://andoverma.gov/assessors/>

Town of Andover Assessors office

- <http://www.mma.org/images/stories/AbtLocalGov/levylimits.pdf>

Massachusetts Department of Revenue Levy Limit Page 7 of 25

## **Property Taxes – Certified New Growth**

☐ Name of Revenue:

Certified New Growth

☐ Layman's description:

New Growth is achieved when new parcels of taxable property are added in the town. This growth may be in the form of real estate, such as a new residential home built on a previously undeveloped parcel of property or a new office building. It also may be new personal property added to a commercial office building such as new computer equipment, desks, chairs, etc..

☐ What "drives" the revenue?

The main drivers of New Growth are:

- a) New growth in commercial/industrial real estate taxes
- b) New growth in personal property taxes on commercial/industrial property
- c) New growth in residential real estate taxes

☐ Links to websites:

- <http://andoverma.gov/assessors/>

Town of Andover Assessors office Page 8 of 25

## **Additional Prop 2 ½ Property Taxes – Debt Service Exclusion**

☐ Name of Revenue:

Debt Service Exclusion

☐ Layman's description:

Debt Service Exclusion represents taxes which are collected but are outside the limits of Proposition 2 ½. This amount represents the debt service (principal and interest) for new schools, public safety center, and other larger capital improvement projects. This item is shown separately since once the debt has been fully paid, the revenue will cease to be collected. Debt Service Exclusions must be approved at Town meeting by a 2/3rd vote as well as approved by a simple majority at a referendum vote.

☐ What "drives" the revenue?

The main drivers of Debt Service Exclusions are major Capital Improvement projects such as a new school, new public safety center, fire station, town yard, etc.. The total amount of the borrowing, the interest rate on the borrowing and the number of years the debt will be repaid all impact the annual amount of the debt service exclusion.

☐ Links to websites:

- <http://andoverma.gov/assessors/>

Town of Andover Assessors office

- [http://www.mass.gov/Ador/docs/dls/publ/igr/2002/2002\\_101.pdf](http://www.mass.gov/Ador/docs/dls/publ/igr/2002/2002_101.pdf)

Massachusetts Informational Guideline Release

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[http://www.mass.gov/?pageID=dorterminal&L=7&L0=Home&L1=Local+Officials&L2=DLS+Newsroom&L3=DLS+Publications&L4=Municipal+Knowledge+Base&L5=Municipal+Finance+Glossary&L6=Municipal+Finance+Glossary+\(Alphabetical+D+through+H\)&sid=Ador&b=terminalcontent&f=dls\\_reference\\_glossary\\_refgls\\_debtexclu&csid=Ador](http://www.mass.gov/?pageID=dorterminal&L=7&L0=Home&L1=Local+Officials&L2=DLS+Newsroom&L3=DLS+Publications&L4=Municipal+Knowledge+Base&L5=Municipal+Finance+Glossary&L6=Municipal+Finance+Glossary+(Alphabetical+D+through+H)&sid=Ador&b=terminalcontent&f=dls_reference_glossary_refgls_debtexclu&csid=Ador)

Massachusetts Department of Revenue – Debt Exclusion Page 9 of 25



## State Aid – Chapter 70 Education Aid

☐ Name of Revenue:

Chapter 70 Education Aid

☐ Layman's description:

Chapter 70 Education Aid is money received by the Town of Andover from the Commonwealth of Massachusetts to assure fair and adequate funding for public schools. The amount of Chapter 70 Education Aid received by cities and towns varies based upon annual appropriations from the Commonwealth and each cities/town minimum per student funding, as calculated by the Commonwealth's foundation budget model.

☐ What "drives" the revenue?

The main drivers of Chapter 70 Education Aid are:

- a) The total annual appropriation approved each year by the Commonwealth's legislative process and approved by the Governor
- b) The Commonwealth's Foundation budget model
- c) The number of students in the Andover School district

☐ Links to websites:

○

<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleXII/Chapter70/Section1>

Massachusetts General Law, Chapter 70, section 1 Legislative intent

○

<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleXII/Chapter70/Section3>

Massachusetts General Law, Chapter 70, section 3 Foundation budget Page 10 of 25

## State Aid – School Construction Reimb SBAB

☐ Name of Revenue:

School Construction Reimb SBAB

☐ Layman's description:

A state program that reimburses cities, towns, and regional school districts varying percentages of their school construction costs depending on the wealth of the community or district and the category of reimbursement.

Projects that received their first reimbursement payment prior to July 26, 2004 will continue to get annual state payments to offset the related annual debt service. Beginning in FY2006, the Massachusetts School Building Authority (MSBA) took over the operation of the program.

☐ What "drives" the revenue?

The main driver of the money Andover receives from the SBAB is a direct result of the Andover High School renovation and the High Plain/Wood Hill schools construction.

Going forward, money received from the MSBA will be determined by the MSBA. The MSBA has a very defined school building approval process that outlines what may or may not qualify for approval and/or reimbursement, and, if approved, what percentage will be reimbursed.

☐ Links to websites:

○

[http://www.mass.gov/?pageID=dorterminal&L=7&L0=Home&L1=Local+Officials&L2=DLS+Newsroom&L3=DLS+Publications&L4=Municipal+Knowledge+Base&L5=Municipal+Finance+Glossary&L6=Municipal+Finance+Glossary+\(Alphabetical+I+through+O\)&sid=Ador&b=terminalcontent&f=dls\\_reference\\_glossary\\_refgls\\_msba&csid=Ador](http://www.mass.gov/?pageID=dorterminal&L=7&L0=Home&L1=Local+Officials&L2=DLS+Newsroom&L3=DLS+Publications&L4=Municipal+Knowledge+Base&L5=Municipal+Finance+Glossary&L6=Municipal+Finance+Glossary+(Alphabetical+I+through+O)&sid=Ador&b=terminalcontent&f=dls_reference_glossary_refgls_msba&csid=Ador)

Massachusetts Department of Revenue School Building Assistance program Page 11 of 25

- <http://www.massschoolbuildings.org/>

Massachusetts School Building Authority Page 12 of 25

## **State Aid – General Municipal Aid**

☐ Name of Revenue:

General Municipal Aid

☐ Layman's description:

Additional funding received from the Commonwealth based upon appropriation. Most of the funding is derived from the state's lottery program.

☐ What "drives" the revenue?

The main drivers of Municipal Aid are:

- a) The total annual appropriation approved each year by the Commonwealth's legislative process and approved by the Governor
- b) The Commonwealth's Lottery ticket sales

☐ Links to websites:

○

[http://www.mass.gov/search?q=unrestricted+general+government+aid&btnG=Search&pageID=dorsearchlanding&sid=Ador&output=xml\\_no\\_dtd&q=unrestricted+general+government+aid&client=mgov&proxystylesheet=mgov&site=DORx&numgm=0&filter=0&ie=UTF-8&access=p&sort=date%3AD%3AL%3Ad1&entqr=3&entsp=a&oe=UTF-8&ud=1&spell=1](http://www.mass.gov/search?q=unrestricted+general+government+aid&btnG=Search&pageID=dorsearchlanding&sid=Ador&output=xml_no_dtd&q=unrestricted+general+government+aid&client=mgov&proxystylesheet=mgov&site=DORx&numgm=0&filter=0&ie=UTF-8&access=p&sort=date%3AD%3AL%3Ad1&entqr=3&entsp=a&oe=UTF-8&ud=1&spell=1)

Massachusetts Department of Revenue Page 13 of 25

## **General Local Revenue – Motor Vehicle Excise**

☐ Name of Revenue:

Motor Vehicle Excise tax

☐ Layman's description:

The Motor Vehicle Excise is the largest General Local Revenue collected in the Town of Andover. The tax is collected by the Town where one's motor vehicle is "principally garaged". The tax is based upon a valuation that is determined by the Manufacturer's Suggested Retail Price (MSRP) and age of the vehicle. Most motor vehicles in Andover are automobiles (ie: boats are also included as "motor vehicles"). As each year passes, the valuation is lowered, and therefore the excise tax collected is lowered. For automobiles, the tax is \$25 per each \$1,000 of valuation (ie: a car with a \$20,000 valuation pays \$500 in motor vehicle excise tax). The motor vehicle excise tax bills are mailed periodically during the year, with most being mailed in the spring.

☐ What "drives" the revenue?

The main drivers of Motor Vehicle Excise tax are:

- a) The number of vehicles "principally garaged" in Andover
- b) The age of the vehicles

☐ Links to websites:

- <http://www.sec.state.ma.us/cis/cisexc/excidx.htm>

Secretary of the Commonwealth Citizen Information Service

- [http://www.mass.gov/Ador/docs/dls/publ/misc/mv\\_bklt.pdf](http://www.mass.gov/Ador/docs/dls/publ/misc/mv_bklt.pdf)

Massachusetts Department of Revenue Motor Vehicle and Trailer Excise Manual

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## **General Local Revenue – License/Permits**

☐ Name of Revenue:

License/Permits

☐ Layman's description:

The Town of Andover has multiple licenses one must apply for and receive for certain businesses or events. A few examples are alcoholic beverage, business certificates, dog/fishing/hunting, marriage licenses and others. Each license has its own unique requirement and fees.

Additionally, the Town issues various permits related to all types of construction. A few examples include building, electrical, gas and plumbing, gravel and water connection, weights and measures, and others. Each permit has its own unique requirements and permit fee.

☐ What "drives" the revenue?

There are many drivers of the License/Permits, but the major ones are:

- a) New building activity
- b) Renovation activity

☐ Links to websites:

- <http://andoverma.gov/clerk/licensing.php>

Town of Andover – Licensing

- <http://andoverma.gov/building/>

Town of Andover – Building division Page 15 of 25

## **General Local Revenue – General Government**

☐ Name of Revenue:

General Government

☐ Layman's description:

This revenue is miscellaneous revenue from other Town departments and is generally "non-recurring" revenue or revenue that cannot be relied upon from one year to the next.

Recent examples of relatively significant items received in FY2011 were \$187,388 received from the Massachusetts School Building Authority reimbursing the Town for the Bancroft Elementary School Planning article, proceeds of \$150,000 from the settlement of the Wood Hill/High Plain roof litigation, and \$199,193 in Bond Premium income.

☐ What "drives" the revenue?

The Town's Grand Total Revenue is over \$140,000,000 each year. Like any entity that generates income and expenditures of that amount, there are unexpected issues that arise. The Town Manager and Department Heads use prudent business practices to address those unexpected issues, and settle them in a manner most beneficial for the town.

☐ Links to websites:

(none) Page 16 of 25

## **General Local Revenue – Investment Income**

☐ Name of Revenue:

Investment income

☐ Layman's description:

During the course of each year, the town has cash on hand that is invested in short term instruments until expenditures need to be paid. For example, Real Estate and Personal Property taxes are collected quarterly, whereas the Town's largest expenditure, salaries, are paid out over the course of twelve (12) months.

☐ What "drives" the revenue?

The main drivers of Investment income are:

- a) Interest rates
- b) The amount of cash on hand

☐ Links to websites:

- <http://andoverma.gov/collector/>

Town of Andover – Collector/Treasurer's Office Page 17 of 25



## **General Local Revenue – Meals Tax**

☐ Name of Revenue:

Meals Tax income

☐ Layman's description:

The Meals Tax is a local option tax imposed on sales of meals by restaurants located within Andover; currently the tax rate is .75% and was approved by a Special Town meeting on October 7, 2009. The tax revenue is received by the Town of Andover on a quarterly basis.

☐ What "drives" the revenue?

The main drivers of the Meals tax are:

- a) Meals served and revenues generated by local Andover restaurants
- b) The local meals tax rate, currently at .75%

☐ Links to websites:

- <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter64L>

Massachusetts General Law, Chapter 64L, section 2(a), Local Option Meals Excise  
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## **General Local Revenue – Hotel/Motel Excise**

☐ Name of Revenue:

Hotel/Motel Excise tax income

☐ Layman's description:

The Hotel/Motel Excise tax is a local option tax imposed on local hotel/motel room revenue; the current rate is 6% and was approved by a Special Town meeting on August 31, 2009. The tax revenue is received by the Town of Andover on a quarterly basis.

☐ What "drives" the revenue?

The main drivers of the Hotel/Motel Excise tax are:

- a) Revenues generated by local Andover hotels/motels
- b) The local hotel/motel excise tax rate, currently at 6%

☐ Links to websites:

○

<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter64g/Section3a>

Massachusetts General Law, Chapter 64G, section 3(a), Room Occupancy Excise  
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## **Expenditure – Personal Services**

☐ Name of Expenditure:

Personal services

☐ Layman's description:

Personal services include the regular wages, overtime, part time and other wages for employees of the Town's departments. It is by far the single largest expenditure of the Town. The Town has approximately 1,106 full time equivalents (FTEs) as of 2011.

Most Town employees belong to a union. There are 15 unions which represent the interests of Town employees. The unions, and their most recent contracts are below:

### **Collective Bargaining Agreements**

#### **School Contracts**

- Administrators Contract 2007-2010
- Custodial Contract 2004-2007
- Food Services Agreement July 2006 - July 2007
- Instructional Assistants 2007-2010
- LPNs Agreement 2007-2010
- School Independents 2007-2010
- Secretaries Contract 2007-2010
- Teacher Contract 2007-2010

#### **Town Contracts**

- AFFU Agreement 2008-2010
- AFSCME Agreement 2007-2010
- APPU Agreement 2008-2010
- Department Head 2007-2010
- Police Superior Officers 2007-2010
- Public Safety Communicators 2007-2010
- Town Independents 2007-2010

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## ☐ What “drives” the expenditure?

There are many drivers of the Personal expense as each agreement has many contractual obligations, but the main drivers are:

- a) The number of employees/FTEs
- b) The salary/hourly pay of the employees/FTEs
- c) The overtime of the employees/FTEs
- d) Work rules incorporated within the contracts

## ☐ Links to websites:

(see links to Collective Bargaining Agreements above) Page **21** of **25**

## **Expenditure – Health Insurance Fund**

☐ Name of Expenditure:

Health Insurance Fund

☐ Layman's description:

The Town has established a health insurance trust fund to pay for health insurance claims and premiums. This expenditure covers the health insurance costs for all current town and school employees, plus all town and school retirees, excluding retired school teachers who are enrolled in the Massachusetts Group Insurance Commission system. Costs for retired school teachers are charged back to the Town by the state.

☐ What "drives" the expenditure?

There are many drivers of the Health insurance expense, but the main drivers are:

- a) The number of eligible Part time and Full time employees who actually enroll into the health insurance plan
- b) The number of enrolled employees who elect Individual coverage
- c) The number of enrolled employees who elect Family coverage
- d) The premium costs for various health plan options
- e) The state charge for retired school teachers

☐ Links to websites:

<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32B/Section3A>

Massachusetts General Law, Chapter 32B, section 3(a), Administrative Services contract for payment of claims Page 22 of 25

## **Expenditure – Retirement Fund**

☐ Name of Expenditure:

Retirement Fund

☐ Layman’s description:

The Retirement Fund includes the annual appropriation for pension benefits for all retired town, Andover Housing Authority and school employees, excluding school teachers who retire under the Massachusetts Teachers’ Retirement System.

The annual appropriation for pension benefits includes an amount for “Normal costs” and an amount for “Unfunded Actuarial Liability”; these two amounts are based upon actuarial estimates to fully fund the Town’s pension obligations by the year 2040.

☐ What “drives” the expenditure?

There are many drivers of the Retirement Fund expense, but the main drivers are:

- a) The number of plan members and beneficiaries receiving pension benefits
- b) The benefit provisions of the plan
- c) The plan’s investment rate of return and projected salary increases

☐ Links to websites:

- <http://andoverma.gov/boards/#retirement>

Town of Andover Retirement Board

- <http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32>

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Massachusetts General Law, Chapter 32, Retirement Systems and Pensions

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<http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32/Section21>

Massachusetts General Law, Chapter 32, section 21, Public Employee Retirement Administration (PERAC) Page **24** of **25**

## **Expenditure – Debt Service Fund**

☐ Name of Expenditure:

Debt Principal and Debt Interest

☐ Layman's description:

The Debt Service Fund provides the appropriation for the Town's annual principal and interest costs associated with various capital construction projects such as school buildings, Public Safety Center and other capital projects. The projects are funded by the issuance of tax-exempt bonds with targeted principal amortization at 20 years. The Water and Sewer Enterprises pay for its debt service from user fees and betterments.

Currently the Town has a AAA long term rating from Standard & Poor's credit reporting agency.

☐ What "drives" the expenditure?

The main drivers of Debt Service are:

- a) The principal amount outstanding
- b) The interest rates on the outstanding debt
- c) The Town's credit rating
- d) The overall economic climate for municipal debt

☐ Links to websites:

- <http://andoverma.gov/finance/>

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## **Expenditure – Overlay**

☐ Name of Expenditure:

Overlay

☐ Layman's description:

Overlay is a “reserve” for abatements and exemptions of committed real and personal property taxes for that fiscal year. Abatements are most commonly applied for when the taxpayer feels their property value is assessed too high.

☐ What “drives” the expenditure?

The main drivers of Overlay are:

- a) Taxpayer feels their property value is assessed too high
- b) Taxpayer feels their property value is too high compared to other similar properties
- c) Taxpayer feels their property has an incorrect usage classification (ie: residential or commercial)

☐ Links to websites:

- [http://www.mass.gov/Ador/docs/dls/publ/igr/2011/igr11\\_101.pdf](http://www.mass.gov/Ador/docs/dls/publ/igr/2011/igr11_101.pdf)

Massachusetts Department of Revenue Informational Guideline Release No. 11-101 Overlay and Overlay Surplus

- <http://andoverma.gov/assessedvalues/>

Town of Andover – Assessed Values

- <http://andoverma.gov/assessors/abatement.pdf>

Town of Andover – Board of Assessor